Trading Butter for Guns

DOMESTIC IMPERATIVES FOR FOREIGN POLICY SUBSTITUTION

DAVID H. CLARK
Department of Political Science
Binghamton University (SUNY)

The international relations literature largely presumes that leaders engage in foreign policy substitution but does not provide a compelling theoretical explanation or convincing empirical evidence that substitution occurs. This article offers a theory of foreign policy choice based on the differences between private and public goods. It assumes that private goods and public goods are useful under different circumstances and conditions. Leaders select a policy based on political needs, so private- and public-goods approaches are employed alternatively depending on domestic situations: policies are substituted one for another. The trade-off between aggressive unilateral economic behavior and military conflict as the United States conducted foreign policy during the cold war is examined. Results show that leaders facing economic concerns and/or domestic opposition prefer trade aggression, a patently private-good-like policy, and substitute such policies in response to changing domestic stimuli.

The vast array of policy options available to political leaders as they seek to accomplish substantive goals (enact policy) and achieve personal goals (retain office) prompts students of politics to theorize why leaders choose the policies they do. The essence of this question appears in international relations research positing that leaders substitute one foreign policy for another depending on the particular conditions they encounter at any given time (e.g., Most and Starr 1989; Regan 2000; Bennett and Nordstrom 2000; Morgan and Palmer 2000; Enterline and Gleditsch 2000). Substitution models often deal with specific political contexts rather than offering general explanations of what types of policies leaders are likely to prefer. In an implicit manner, diversionary use of force research suggests that domestically troubled leaders substitute force for action directed at correcting the source of the domestic trouble. Presumably, leaders are motivated to divert attention because they believe they lack the policy tools to correct the domestic problems they face. However, this argument and others that contend that domestic forces can increase the incentives for international conflict provide only a limited context within which leaders select policies. In reality, political leaders have at their disposal a large set of policies from which to choose; the

theoretical key is to identify what types of policies those leaders are likely to select depending on the domestic conditions they face. So, a broader theory of foreign policy choice depends on identifying three things. First, it is important to define a comprehensive argument regarding the domestic forces that should produce foreign policy actions. Second, it is imperative to define exactly what domestic forces are likely to be important to foreign policy choice; not only will domestic factors influence which policy is chosen, but they also affect what policies are available in the choice set. Third, it is important to identify policies that represent possible responses to the domestic forces identified as important and look beyond the use of force as a general response to domestic challenges.

The central question addressed in this study is, What policies should we logically anticipate leaders to implement when they face domestic political threats? The notion that leaders have incentives to turn to military adventurism in the face of domestic adversity fails to recognize other policy tools those leaders can invoke with less risk and greater chances of success. Moreover, it ignores the extent to which domestic political institutions restrain executive entrepreneurialism. In the following pages, I argue that leaders employ policy tools other than the use of force; leaders substitute policies one for another depending on the type of problem they face at a given time. In general, I argue that leaders respond to problems related to private goods with policies designed to address private-good-like issues. Because most domestic political and economic issues involve scarcity, they are roughly analogous to private-goods issues. As a result, leaders should resort to distributive policies that address private-goods concerns rather than resort to arms. The study elucidates the logic of foreign policy choice in the more general context of policy substitution. It reports empirical estimates and predictions that support the contention that leaders choose appropriate tools with which to address their domestic problems and substitute policies depending on the domestic conditions they face.

A THEORETICAL ARGUMENT FOR POLICY SUBSTITUTION

Implicit in the democratic peace literature is the presumption that democratic leaders are differently constrained than are their autocratic counterparts. Whether their heavier bonds originate in structural organization (e.g., Russett 1993; Morgan and Campbell 1991) or in cultural norms (e.g., Maoz and Russett 1993), democratic leaders find themselves unable to fight each other. As a result, a democratic leader has one less alternative when he or she faces a democratic opponent than when he or she faces an autocratic state. Clearly, the democratic leader still retains authority to employ the military but is constrained from doing so, presumably because he or she fears that the costs of going to war with another democracy will be unbearable.[1] Going to war is effectively removed from the set of alternatives to which the leader can resort.

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1. Recent work by Bueno de Mesquita et al. (1999) argued that democratic leaders, when they choose to go to war, must win if they are to retain office. As a result, they exert greater effort and allocate more resources than do autocrats. Democratic opponents, recognizing this tendency in each other, see that war will not be profitable, so they resolve their differences without war.

Proponents of the democratic peace suggest that democratic leaders are restrained from fighting each other by the cultural norms of democracy or the structure of democratic political institutions. An alternative manner in which to conceive of democratic constraints is via the notion of *institutional congruence*. Democratic executives make policy decisions in the shadow of legislative bodies that may or may not share the policy preferences of the executive. Although executives often hold primary authority over foreign policy decisions, the policies they can realistically implement depend on the orientation of the legislature and the political price the legislature will exact from the executive over certain policy issues. As a result, depending on the congruence of views between executives and legislatures, executives sometimes have freer access to the military policy option than they do at other times. When democratic leaders are constrained so that military action is untenable, it is difficult to believe that those leaders lapse into periods of inactivity and take no foreign policy action whatsoever. Rather, it seems logically apparent that those leaders will choose other policy paths to follow.

Although it is broadly recognized that leaders are likely to substitute policies depending on their particular political needs or the extent to which they are constrained, few researchers actually suggest theoretical expectations regarding substitution or model substitution empirically. Most and Starr (1989) explicitly argued that scholars who ignore the possibility of substitution are in danger of drawing incorrect conclusions. In fact, implicit in their argument is that failure to account theoretically or empirically for the complementary parts y_i of a concept Y can result in Type II errors. A researcher trying to explain y_1 may find no empirical explanation and reject the theory he or she is testing via the hypothesis that x causes y_1. In fact, it may be the case that x is strongly correlated with y_2, a complement to y_1. The complementary relationship between y_1 and y_2 may serve to obscure the broader relationship between x and Y. On the other hand, the researcher may conclude that x is unrelated to Y because no relationship exists between x and y_1. Only by accounting for the complementary parts of Y can he or she possibly arrive at the correct conclusion.

Specific empirical analyses sometimes do account for the possibility of policy substitution, although the applications are often quite narrow and do not really test substitution hypotheses. For example, Bates, Brock, and Tiefenthaler (1991) argued that leaders who want to pursue open trade policies are often prevented from doing so because open trade is likely to cause domestic economic displacement for which they will be punished politically. To limit their own political vulnerability, leaders expand the welfare state so that social insurance safety nets protect the population from the economic vicissitudes that result from free trade. Doing so is a form of policy substitution whereby the expansion of social insurance and the implementation of free trade regimes are complementary policies pursued simultaneously.[2] Clark and Hart (1997) made a similar argument regarding how freely a leader can employ military force as a tool of foreign policy. In their research, social insurance levels and military policy are complementary; the implementation of one policy influences how and when the other can be implemented. None of these authors explicitly model substitution, but their theoretical motivations are grounded in the expectation that leaders use multiple types of

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2. Also see Quinones and Gates (1995).

policies to achieve single goals. More notable, both argue that leaders link domestic economic policies that explicitly distribute private goods with achieving foreign policy goals. Although their empirical designs do not expect or test substitution of one policy for another, both provide evidence that leaders employ domestic policies to create political environments in which they can pursue foreign policies that might otherwise be politically impossible.

Other research is less circumspect regarding just how policies are substituted for one another. Enterline and Gleditsch (2000), for instance, explicitly modeled the manner in which political leaders facing domestic turmoil choose between internal repression and externalization, between domestic police action and international conflict. Morgan and Palmer (1997, 2000) specified and tested a formal model that examined the trade-offs between two types of goods as leaders substitute policies as they seek to maximize state security. Diehl (1994) modeled the choices states make between arms acquisitions and alliance formation as they seek security. He asks whether the choice is an "either or" question or if arming and allying are complementary policies that a state might pursue simultaneously. Regan (2000) used multinomial models to examine American choices regarding intervention in civil conflicts.[3] Yet, no consensus exists regarding how substitution might be modeled adequately, empirical findings often provide little evidence of substitution (e.g., Enterline and Gleditsch 2000; Diehl 1994), and formal models of substitution are often of limited scope (e.g., McGinnis 1990). Many researchers, however, at least discuss the empirical plausibility of substitution, sometimes as if it were empirically demonstrable (e.g., Levy 1987; Goldstein and Freeman 1991; Morgan and Bickers 1992).

In their seminal work, Most and Starr (1989) described two potential problems with much contemporary empirical research in international relations. First, one causal factor may result in different outcomes at different times. In other words, actors may, at different times, take different actions in response to similar stimuli. Second, different causal factors may cause a single outcome. It is their first complaint that suggests the possibility of policy substitution, that leaders might select policy y_1 in response to x, but that they might select policy y_2 in response to x at a different time. Not only might leaders select different policies in response to similar stimuli, but they may consistently select a *type* of policy to respond to a *type* of stimulus. For instance, one might hypothesize that Americans typically respond to flying objects like baseballs by swatting them with bats. However, such a hypothesis would find it troubling that Americans typically respond to house flies with fly swatters, hot air balloons by waving, and UFOs with video cameras rather than by brandishing baseball bats; the same general phenomenon (flying objects) evokes different responses.[4] However, it is the particular nature of the flying object that makes it amenable to hitting with a bat. Some flying objects ought not to be hit. Among those that should be swatted, some ought to be hit with bats, others with fly swatters, and so on. One must choose the right tool for the job.

3. The February 2000 issue of the *Journal of Conflict Resolution* is a special issue on foreign policy substitution including articles by Morgan and Palmer and Regan and an innovative substitution approach by Bennett and Nordstrom.
    4. Similarly, such a hypothesis might be confounded by those Americans who use baseball bats for activities other than hitting baseballs (committing violent crimes, home protection).

Specifying expectations about states' international behavior is not altogether different in the sense that general phenomena like domestic issues probably instigate state action in the international system. Yet, to expect that all domestic issues generate the same types of international actions is at least as naïve as expecting bat swinging to be the standard response to any and all flying objects. Most and Starr's (1989) expectation that leaders are likely to substitute one policy for another is not simply that leaders randomly or weakly deterministically choose y_1 now and y_2 later. Rather, they anticipated that leaders have substantial logical motivations to pursue different responses at different times to what are apparently the same stimuli. Researchers are left the task of identifying heterogeneity in the domestic threats leaders face and the logical actions those leaders might take in response.

If leaders face different kinds of domestic threats that call for different policy actions, then it is inadequate on its face to hypothesize that domestic threats, X, cause either (1) a particular foreign policy response, y_1, or (2) foreign policy responses, Y. In the first case, "$X \rightarrow y_1$" ignores the possibility that "$X \rightarrow y_2$" or any other manifestation of Y, increasing the likelihood of negative findings and Type II errors. The second case, expecting that domestic threats, X, cause foreign policy responses in general fails to recognize either (1) that foreign policy action may be instigated by other stimuli as well or (2) that domestic threats, X, may sometimes lead to foreign policy action and sometimes to domestic policy action. Both X and Y are entirely too broad to expect a direct and clear empirical relationship between the two. Moreover, it is unlikely that such a general hypothesis as "X causes Y" derives from any useful theory. Rather, a theory of international relations may anticipate on the basis of its assumptions that international behavior is partially derived from domestic sources. The suggestion that domestic and international politics are linked does not indicate the nature of the linkage, nor does it absolve researchers from the responsibility of trying to identify the particular character of that linkage. Instead, it becomes incumbent upon researchers to derive logical expectations regarding *when* and *how* domestic factors influence international state behavior.

DETERMINANTS OF FOREIGN POLICY SELECTION

Writing on arms races, McGinnis (1991, 459) argued that any variety of indicators including military expenditures, arms transfers, or levels of hostility "are properly interpreted not as separate explanatory factors but instead as different manifestations of the same underlying process of political competition operating within and between rival states." This illustrates the importance of distinguishing between theoretical concepts and their empirical manifestations, because a single concept may appear in a variety of empirical forms. In other words, leaders may at different times pursue entirely different policy strategies in response to a single problem. This is the essence of foreign policy substitution. However, remaining unexplained is *why* or *how* leaders select from an arsenal of foreign policy options the alternatives they do.

Like the selection of any type of policy, foreign policy selection depends to a large extent on two related factors. First, the policy options from which leaders can choose at

any given point in time are determined in part by institutional constraints. Although many policy alternatives are routinely available to a leader, some high-profile or controversial policies may be difficult or impossible to take under particular institutional conditions that constrain policy choice. Second, leaders must choose the policies most suitable to the task at hand; they must select the correct and appropriate tool with which to address whatever political problems they face. Often, this choice is related to the extent to which a policy can mollify a constituency important to the leader's office retention. This section examines these two determinants of foreign policy choice in some detail, focusing explicitly on the decision to use military force rather than selecting alternative policies in response to domestic political trouble.

INSTITUTIONAL ENVIRONMENT AND FOREIGN POLICY OPTIONS

Foreign policy substitution, although based logically on the notion that leaders select policy alternatives most likely to succeed, depends also on the availability of a policy option at a point in time. Theoretically, a leader always has n policy options from which to choose; the probability that he or she will select any one of those options, however, depends on its usefulness given his or her contemporary political needs. The extent to which any policy option is useful at any given moment depends in turn on the challenges facing a leader and on the constraints that leader suffers while making policy. A leader facing economic decline would probably not find a new conscription law terribly useful in dealing with rising inflation. At the same time, a leader encumbered by an opposition legislature may find the policies he or she can actually implement limited by the willingness of that legislature to support his or her actions.

For example, Ronald Reagan entered office in 1981 intending to escalate defense spending and implement a broad-based tax cut. These two policy goals were useful to Reagan insofar as they appealed to his core constituency and had broader appeal to Americans weary of the economic hardship of the 1970s and startled by apparent American vulnerability in the international system. The political utility of these policies was substantial. Moreover, Republicans captured the Senate in the 1980 election and made advances in the House. Although the House remained under Democratic control, Democratic unity suffered heavy losses when nearly 100 Democrats signaled they would support Reagan's policy agenda. So, not only were Reagan's two major policy initiatives likely to yield large political payoffs, but their implementation was possible because the institutional environment made them tenable. The combination of utility and a conducive institutional environment resulted in tax cuts and large defense budgets, and, some would say, they played a large role in Reagan's reelection in 1984.

Tax cuts and elevated defense spending are policy initiatives American presidents can always pursue; no rules prohibit their support of measures such as these. However, the political efficacy of these policies varies depending on the particular conditions the country faces and the institutional environment. The same is true of the foreign policy arena, in which institutional configuration strongly influences the likelihood that a state will enter military conflict (Clark 2000). Leaders never actually lack the capability of employing the military, but the utility of the use of force changes depending on

the institutional environment. That environment may inhibit high-profile and potentially costly foreign policies like the use of force, or it may enable the executive to engage in these actions.

Clark (2000) argued that institutional congruence, the extent to which domestic political institutions share similar or dissimilar preferences, influences the ease with which policies are made. In particular, institutional congruence determines how readily an executive can take potentially controversial and high-profile action, including the decision to employ military force. When political institutions share incongruent policy preferences, the use of force becomes less attractive to executives because of the potentially high political costs associated with military action. Likewise, disputes last shorter periods of time because they are harder to sustain in the face of domestic opposition from the legislative institution. Under incongruence, the utility of the use of force and the utility of the continued use of force diminish. As a result, a leader so constrained that the use of force is significantly more difficult to motivate must search for other policy options that can address whatever contemporary problems he or she faces. A leader faced with a foreign policy problem such as a belligerent opponent may have little alternative but to pursue conflictual foreign policy solutions, but he or she may undertake that policy more advisedly under incongruence than if institutional preferences were congruent. However, when a leader faces problems of a domestic nature, his or her policy alternatives are numerous and include both domestic and foreign policy options. The institutional environment almost certainly can force a leader to explore less costly and lower profile policies than the use of force. The negative effect of incongruence on conflict behavior does not suggest that leaders abandon the military option and take no action but that they substitute other policies that are less vulnerable to institutional sniping and yet are politically potent.

WHO NEEDS GUNS WHEN THERE'S A BUTTER SHORTAGE?

It seems likely that institutional incongruence may force leaders to employ policies that are less risky than resorting to arms, but exactly what policies a domestically threatened executive might explore remain to be specified. What seems certain is that it makes little theoretical sense to expect that domestic economic decline can be adequately addressed by going to war. Of course, economic distress and war can occur simultaneously, but to suggest a direct causal mechanism between economic trouble and the use of military force ignores the constraints executives face (described above) and the more relevant policy tools executives can employ to address the economic problem and the political threat that economic problems often pose.

Policy making, in a general sense, is about the distribution of goods to constituents, depending in large part on the political needs of policy makers.[5] Much policy making

5. Some authors observe that the rational choice assumption that leaders make decisions for self-interested, election-motivated purposes is cynical and not reflective of the good intentions of policy makers (e.g., Parker 1992). However, to assume that leaders want to distribute goods to constituents and remain in office does not necessarily impugn the character of public servants. Arguably, democratic states elect representatives specifically to provide for the public good and sometimes to provide private goods for the betterment of the public good. Leaders may be centrally interested in retaining office, but that motivation may be driven by the desire to perform public service, something they would be denied were they to lose office.

distributes public goods, such as economic security or national defense, or common goods, such as national parks and roads. However, policy makers also have substantial discretion in policy making such that they can direct policies at relatively small groups, effectively distributing private goods or goods similar to private goods. For instance, members of the U.S. Congress routinely obtain federal contracts for industries in their districts or appropriate funds for projects in their districts to create jobs and to create some new good in the district (again, roads are a favorite). Other members of Congress tolerate these directed distributions because they can make similar demands for their districts. Members typically are perceived as productive and interested in their districts if they manage to provide distributions like these, and so their electoral positions are strengthened.

Executives have similar motivations and distribution tools, although often their tools involve symbolic action, especially where economic issues are concerned. Furthermore, executives usually have substantially larger constituencies to placate, although, as Bueno de Mesquita et al. (1999) suggested, executives really are interested in placating members of their minimum winning coalitions rather than trying to placate the entire electorate. Democratic executives, they argued, will prefer to distribute public goods rather than private goods because, in their large winning coalitions, private goods will be divided until each individual portion is diminutive and relatively meaningless. Furthermore, distributing private goods reduces the resources available for other policies, thus establishing an opportunity cost because distributing public goods will be more difficult at a later time. However, their argument assumes that distributing goods to all members of the winning coalition is necessary if leaders are to retain office.

Other researchers, on the other hand, have supposed that leaders target core constituents, who are essential to the maintenance of a winning coalition (e.g., Morgan and Bickers 1992). Exactly who these core constituents are is not entirely clear. The ideologues in a leader's coalition, no matter how neglected, are committed to such an extent that supporting the opposition is far more odious than supporting their own leader even if he is not optimal. Marginal members of the coalition, voters who might vote either way, are potentially susceptible to the power of individual attention and thus to the distribution of private goods. No matter which of these constituent groups is pivotal to a leader's chances of retaining office, a leader will recognize that small groups rather than an entire winning coalition are critical to his success, so he or she should seek to distribute goods targeted specifically at those core groups.

Public goods are by definition nonexcludable, so they cannot be targeted at core constituencies. Private goods, on the other hand, can be targeted at core groups, effectively empowering those groups as recipients of benefits denied to the population at large. As a result, private goods provide a much more powerful tool than do public goods for leaders as they seek to satisfy constituents in order to retain office. In fact, insofar as leaders can distribute public goods, public goods should be largely ineffective in improving a leader's chances at reelection. Private goods, or policies that approximate private goods, are likely to be extremely powerful in motivating constituents to support that leader's electoral chances. Contrary to the assertions of Bueno de Mesquita et al. (1999), private goods need not necessarily deplete a leader's resources in other policy areas because private goods may be largely (or entirely) symbolic;

therefore, the real costs of distributing private goods may be minimal. Symbolic distribution, a leader's efforts on behalf of a core constituency, can be extremely powerful because they demonstrate the leader's commitment to those particular constituents and his willingness to publicly do battle on their behalf.

On these grounds, political leaders who have domestic problems and need to preserve their elected positions should pursue private-good-like policies, not public-good-like policies. As Bueno de Mesquita et al. (1999) argued, war approximates a public-good-like policy in democratic states.[6] If war is analogous to a public good in states with large winning coalitions, and democratic leaders generally find private-goods-like distributions more advantageous as they seek to retain office, then electorally motivated leaders should not generally pursue military adventurism as a way to deal with domestic turmoil or domestic political threat. In fact, democratic leaders should not only pursue private-good-like solutions, they should seek to employ policy tools that directly address the nature of the domestic problem they face, even if their actions are largely symbolic. An executive facing an economic downturn, for example, should pursue an economic solution. Obviously, in many democratic states, control of the macroeconomic mechanism is largely out of the hands of the executive. However, an executive can propose economic policies in the legislature, approve projects intended for particular districts, or even initiate trade action against foreign industries that threaten domestic production and employment. The value of symbolic action cannot be overstated. Most of the examples listed above are likely to have more symbolic value than actual impact on the economic condition of the country or even a small constituency. Yet, that symbolic value is critical to an electorally motivated leader intent on retaining a winning coalition.

Considered jointly, institutional incongruence and the relevance of private goods to political success suggest that leaders should not generally engage in diversionary military episodes in response to domestic problems. Rather, leaders should pursue private-good-like solutions, making economic action far more likely in the face of domestic turmoil, especially during economic downturns. Institutional incongruence makes this substitution of economic policy for military policy even more critical. On the other hand, congruence removes some of the constraint from a leader's decisions, allowing greater freedom to conduct military and economic policy jointly. The next section proposes hypotheses regarding foreign policy selection, specifically indicating under what conditions leaders should select to engage in economic or military conflict.

EXAMINING SUBSTITUTION EMPIRICALLY

If leaders are indeed interested in employing policy tools appropriate to help them retain office, it seems logical that those rational leaders will evaluate the sources of

6. They argue that military endeavors distribute public goods, such as patriotism and further democratic norms (itself a public good). Moreover, the spoils of war may enhance national security or national wealth, but they cannot effectively be divided among the members of the large winning coalition without

domestic discontent and the disposition of political institutions before selecting a policy to pursue. Either the presence of institutional incongruence or of specific economic problems might serve effectively to remove the military option from the table.[7] In particular, foul economic conditions suggest that constituents are likely to be concerned with economic survival, with private-goods issues. This alone may be sufficient to reduce the utility of military action as an electoral tool, but it may push a leader, a U.S. president, toward some economic action. Macroeconomic recourse available to an American leader, however, is severely limited, so a president must look elsewhere.

International conflict research generally focuses on military conflict, less frequently on economic or trade conflict. Even more unusual is research that examines both simultaneously. Yet, it seems logical that a president (or any executive) facing a domestic audience in need of private goods will turn to private-goods solutions, while if public goods will enhance electoral fortunes, then public-goods solutions will be employed. When researchers examine the effects of economic issues, private-goods issues, on the use of force (an approximated public good), they are perhaps examining a link that logically should not exist. Rather, it makes sense to expect that a leader facing economic turmoil may try to distribute some private good. Economic conflict, such as action under the General Agreement on Tariffs and Trade (GATT) against a foreign industry, approximates a private good in that economic conflict nearly always occurs in defense of a domestic industry or industries. Industries nearly always have particularistic constituencies concerned over jobs and wages. International economic conflict most often involves some claim over tariffs and markets and over openness in particular. These issues all are related to economic competition and ultimately to economic success or failure. Therefore, economic conflict between states is very much about distributing economic protection to a particular domestic political constituency. Economic protection often directly affects industrial production and employment. Economic conflict, as a private-good-like policy, is excludable (it affects a limited portion of a state's industry and so affects a limited portion of the domestic audience). It is as much a private good as war or military conflict is a public good.[8]

This distinction between economic and military conflict serves as the basis for hypotheses regarding the effects of institutional congruence and economic conditions on the type of foreign policy response an American president selects.

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diluting the portions. Autocrats, on the other hand, can pursue war as a private good, insofar as the spoils of war can be divided among the few members of the winning coalition.

7. This is not to say that an American president, opposed by Congress and suffering foul economic conditions, will not resort to arms. International factors, a belligerent foreign power for instance, may well force a president to use force. The argument here, however, is that institutional and economic conditions will affect the usefulness of certain policies at certain times. In the absence of compelling international reasons to use force, domestic concerns may make the use of force effectively useless as an electoral tool.

8. One possible alternative to examining the trade-off between military and trade conflict would be to examine the trade-off between economic conflict and cooperation. Although these seem to be natural complements, neither necessarily approximates a public-good-like policy, thus making a test of the primary assertion of this article impossible. Comparing economic conflict and cooperation would, however, provide a test of the hypothesis that policy makers prefer different types of private distribution under different domestic political and economic conditions. Such a hypothesis, although consistent with the theory presented in the study, is beyond the immediate goal of examining the substitution of private goods for public goods.

Hypothesis 1: Institutional congruence (unified government, presidential support) will in-
crease the likelihood of militarized conflict, whereas incongruence will make GATT
action more likely.

In general terms, the absence of institutional opposition makes military action a
viable policy because the combined institutions are likely to present a unified front.
Furthermore, agreement between Congress and the presidency makes other unob-
served policy alternatives available (unobserved in these analyses), so, more direct
forms of private-goods distribution, like pork distribution to specific constituencies,
will be more available under congruence than incongruence. More specifically,
because institutional congruence increases the breadth of the policy alternatives from
which an executive can select and reduces the legislature's critical scrutiny, an execu-
tive will be more likely to engage in both policies simultaneously under congruence.

Hypothesis 2: Positive changes (growth) in unemployment will be negatively associated
with the likelihood of military force and more likely to result in trade action (GATT).

Declining economic conditions affect the welfare of important constituents, a welfare
that cannot itself be remedied (either practically or symbolically) through military
force. As a result, presidents will be more likely to turn to economic action in the face
of economic decline. Again, the tool is appropriate to the job.

These hypotheses reflect the foundation of the theory described previously: that the
disposition of domestic political institutions serves either to limit or expand the set of
viable actions an executive can take, and that executives will select policies appropri-
ate to the needs of their constituents (and to their own electoral futures). In the follow-
ing sections, I describe the data and methods necessary to test these hypotheses and
report and discuss the empirical results.

RESEARCH DESIGN

To assess the effects of institutional, political, and economic factors on U.S. dispute
behavior, and particularly on the choice of foreign policy, I rely on two sets of analyses.
First, I examine the effects of institutional and economic variables on the dichotomous
decision to engage in trade conflict or military conflict. Second, recognizing that other
viable alternatives to trade and military conflict exist, I examine the effects of institu-
tional and economic variables on four choices: no conflict, military conflict, trade con-
flict, or both trade *and* military conflict simultaneously.

DATA

I have constructed a data set representing American foreign policy choices, eco-
nomic conditions, and institutional arrangements each month between January 1945
and December 1992.[9] The data generally can be divided into three categories: institu-

9. Because data on some variables are not consistently available, the largest analysis involves 431
months. These analyses examine monthly rather than annual conflict behavior. In probit analysis, using

tional, economic, and conflictual. The institutional data indicate the partisan division of the U.S. Congress (the divided or unified status of government) and a measure of presidential support in the Congress derived from congressional votes on items the president supported.[10] The economic data include a measure of monthly change in the unemployment rate. Finally, the conflict data indicate whether the United States involved itself in a militarized dispute (from the Militarized Interstate Dispute [MID] data set, version 2.1) or a dispute under the auspices of the GATT.[11]

Dependent Variables

From these data, I construct two dependent variables that indicate presidential selection either to engage in military or trade conflict at some level in any given month. The choice between military and trade conflict represents an expansion, given the dichotomous choice most analysts study between the onset of military conflict and the absence of military conflict. The first variable takes on a value of 0 in months when the United States engaged in a GATT dispute and a value of 1 in months when the United States engaged in a militarized dispute.[12] Thus, it serves to indicate executive selection between two substantially different forms of international conflict. As the hypotheses in the previous section suggest, independent variables should affect these executive selections differently.

The dichotomous indicator of the type of conflict, however, excludes months in which conflict is absent altogether or in which the United States engages in both military and trade conflict. To remedy this shortcoming, I construct a second dependent variable ranging in value from 0 to 3 and indicating, respectively, the absence of conflict, militarized conflict, trade conflict, both types of conflict. This indicator is clearly not ordinal but rather indicates a variety of different choices. Its construction suggests the use of a random utility model appropriate for a multinomial variable.

The construction of these two dependent variables permits a "first-cut" and "second-cut" at the data with a particular illustrative purpose. As the discussion below will recognize, the dichotomous dependent variable conceivably introduces a selection bias. However, estimating the probit model serves two purposes. First, it puts the

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annual observations would aggregate disputes so that most observations on the dependent variable would be equal to 1, reducing its variation substantially. In multinomial probit models, the same problem would occur. More specifically, the ability to distinguish between the four outcomes would be substantially reduced. As a consequence, it would be nearly impossible to ascertain whether substitution occurs because the 0 category (no action) and the 3 category (both Militarized Interstate Dispute [MID] and General Agreement on Tariffs and Trade [GATT] action) would be artificially inflated.

10. The measure of congressional support for the president's agenda is extracted from Eric Reinhardt's (1996) *United States Congressional Party Discipline* data set and is originally derived from *Congressional Quarterly* (n.d.).

11. Data on GATT disputes are also courtesy of Eric Reinhardt (1996).

12. As a result, months in which the United States either engaged in no new conflict or in both MID and GATT disputes are excluded from this variable. Such a construction obviously omits the months in which the United States failed to engage in any new episodes of conflict, in fact, the majority of the months in the data set. This perhaps suggests that a selection mechanism is at work, driving U.S. leaders to choose between engaging in no conflict or in some undefined conflict and then, having taken the latter alternative, choosing between military and trade conflict. However, the results of bivariate probit selection models produce values of ρ that do not indicate the presence of a selection mechanism.

choice between a private-good-like policy and a public-good-like policy into sharp contrast, especially with regard to how that choice is made in the context of unemployment and institutional congruence. Second, these results permit comparison to the more appropriate multinomial model; the graphical representations of these results illustrate the value of considering multiple policy choices or the choice between private- and public-good-approximating policies.

Independent Variables

The hypotheses above suggest that several covariates influence both the onset of conflict and the particular type of conflict into which the United States will enter. First, I include institutional variables representing the congruence hypothesis. Congruence, the similarity or dissimilarity between institutional policy preferences, is represented in two different ways. As a primary measure, I include a dichotomous indicator of whether government is divided (0) or unified (1). Second, I include an indicator of presidential support in the Congress, measured as the percentage of congressional votes in support of the president's position.[13] Each of these variables indicates the extent to which we might expect the two primary decision-making institutions to agree or disagree, not only on matters of foreign policy but in any forum. These broad measures capture the nature of the relationship between institutions and should indicate how effectively they will cooperate in future decision making.

In addition to the institutional variables, I examine the effect of economic turmoil on foreign policy choice, anticipating that growth in unemployment will be related to the use of trade action rather than the use of military force. This economic indicator measures the monthly change in the rate of unemployment. Also, I control for the effect of the electoral cycle, including a dummy variable indicating presidential election years. Other research suggests that executive behavior is different with respect to domestic and foreign policy when elections are imminent (for example, see Gaubatz 1991). Failing to control for electoral pressure of this kind would make it impossible to distinguish behavior resulting from the election cycle from behavior resulting from the other covariates.

Perhaps one of the indicators of political need most often included in diversionary models or, more generally, in models linking domestic political concerns and foreign conflict, is presidential approval. The models reported below do not include approval for three reasons. First, and most practically, approval is causally related to congressional support for the president (Bond and Fleisher 1990) and therefore cannot reasonably be included in the support models. Second, it is not at all theoretically apparent how approval should influence foreign policy choice generally or the decision to use force in particular. Although some research reports that higher approval increases the likelihood of conflict because presidents have more political capital to spend, other work finds that low approval ratings increase conflict propensity.[14] The former finding

13. The support variable ranges from 43% to 93% with a mean of 69%.
14. For instance, Ostrom and Job (1986) reported that the political use of force is more likely at high levels of approval *and* at low levels, although apparently less likely at median levels. Morgan and Bickers (1992) found that low partisan approval instigates the use of force, as does high overall approval (even

is not at all consistent with diversionary claims. The latter is weakly and inconsistently supported. Moreover, although most research in American politics and international relations treats approval as if it were linear, it almost certainly is not. It is likely that high and low ratings have substantially different effects on presidential behavior than do median ratings. Furthermore, it is likely that changes in approval mean different things at different levels and thereby evoke different types of behavior. For example, a 2% increase in approval from 30% to 32% leaves a president with substantial problems; the same increase from 78% to 80%, on the other hand, only strengthens an already strong president. The same increase from 49% to 51% probably puts the president across an important psychological threshold that is likely to influence decision making to some extent. These issues are unresolved in the community of scholars who study approval, and theoretic expectations regarding how any of these levels of or changes in approval should influence policy are equally undefined. As a result, I am hesitant to include an indicator of approval because its theoretic effect is not well defined in the conflict literature. Third, and most important, approval does not represent either of the hypotheses posed in this article. Rather, the article contends that presidential decision making is constrained or enabled by the relationship between Congress and the White House and that the choice of policy tools depends to some extent on whether the president faces an economic and therefore private-good-like challenge. Presidential approval does not particularly bear on this question of substitution and, as such, does not appear in the empirical analyses.[15]

METHOD

Because the analyses involve two different measures of foreign policy alternatives as dependent variables, I employ two different estimation procedures appropriate to the policy choices.[16] First, to predict the dichotomous dependent variable (whether the United States selects military or trade conflict), I estimate probit models. Because linear regression is inappropriate for dichotomous variables and can produce probability predictions outside the bounds of 0 and 1, scholars usually employ a nonlinear maximum likelihood method like probit to analyze such data. Second, and perhaps less common, I estimate multinomial logit models to predict the four outcomes of the other dependent variable (see Liao 1994). Recall that this variable ranges from 0 to 3 and is nominal rather than ordinal. Multinomial logit allows estimation of the effects of covariates on three of the four outcomes compared to the fourth outcome. For example, the dependent variable is coded so that

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though it seems likely that these two conditions cannot occur simultaneously). DeRouen (1995), on the other hand, found aggregate approval to be negatively related to the use of force. Other research reports similarly mixed findings.

15. Although approval is excluded for theoretic reasons, the possibility still exists that approval might be an important determinant of foreign policy choice. To guard against this possibility, I have run models including approval. I have found no relationship, and the other hypothesized relationship remains unchanged.

16. Analyses were conducted in STATA 6.0.

- 0 = no conflict,
- 1 = military conflict,
- 2 = trade conflict, and
- 3 = both military and trade conflict.

Multinomial logit compares the reference category (0, no conflict) to the other categories and produces coefficients for all independent variables for each of the other three outcomes.[17] So, the results will indicate the effects of the covariates on the probability of a change from

- no conflict to military conflict,
- no conflict to trade conflict, and
- no conflict to both military and trade conflict.

The following section presents the results of these analyses and discusses the implications of the results for arguments about foreign policy substitution.

RESULTS AND DISCUSSION

The probit analyses, presented in two separate specifications in Table 1, provide strong initial support for the congruence hypothesis and the hypothesis regarding unemployment. Generally, they support the idea that U.S. presidents employ different tools depending on the domestic political and economic conditions they face, specifically that they select private-good-like solutions to deal with private-good-like problems.

The probit analysis in model 1 indicates a significant relationship between the level of presidential support in the Congress and the likelihood the United States will select to use military force rather than a GATT action. In fact, the impact of an increase in presidential support on the likelihood of military action is substantial: a 5% increase in support for the president results in a 4% increase in the likelihood that the United States will pursue military rather than economic action.[18]

Similarly, in model 2, the effect of unified government is to enable presidential military action. Institutional congruence increases the likelihood the United States will

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17. The categories of this nominal dependent variable are distributed as

- 0 = no action = 61.13% of 600 monthly observations;
- 1 = MID only = 22.6% of 600 monthly observations;
- 2 = GATT only = 11.8% of 600 monthly observations;
- 3 = both MID and GATT = 4.3% of 600 monthly observations.

18. The effects of variables in probit models cannot be interpreted in the straightforward manner to which least squares models are amenable. Rather, marginal effects are computed by

$$\phi[\Sigma(\beta'X) + x_i\sigma] - \phi[\Sigma(\beta'X)],$$

or the change in predicted probability given a one standard deviation change in the variable of interest, other variables held constant at their means or modes. In the case of dichotomous independent variables, the effect reflects the change in that variable from 0 to 1 (modal to nonmodal value), others held constant.

TABLE 1
Probit Analyses of U.S. Foreign Policy Options,
Militarized or Trade Dispute, 1945 to 1994

Variable	β̂	SE
Model 1		
Presidential support	0.031***	0.008
Δ unemployment	–0.979**	0.493
Election year	–0.104	0.232
Constant	–1.548***	0.589
$n = 175$		
$-2LL \sim \chi^2 = 18.51$***		
Model 2		
Unified government	0.455**	0.218
Δ unemployment	–0.866**	0.478
Election year	–0.315*	0.217
Constant	0.428***	0.137
$n = 179$		
$-2LL \sim \chi^2 = 9.50$**		

NOTE: Dependent variable indicates the presence of a militarized dispute (1) or a trade dispute (0). –2LL evaluates the full model in comparison to the null model.
*$p \leq .10$. **$p \leq .05$. ***$p \leq .01$, one-tailed tests.

resort to arms rather than engage in trade action. In fact, American presidents enjoying unified government choose military over trade action more than 12% more frequently than do presidents who are hobbled by divided government. Although divided institutional control limits the president's ability to employ the military, partisan support in the Congress makes the military option more tractable for the White House and, as a result of its availability, the military option is used more frequently in these circumstances.

Perhaps most striking in the models in Table 1, however, is the effect of unemployment on the choice between military and trade action. In both models, unemployment is negatively associated with the use of force but makes trade action more likely. It appears likely that presidents generally employ economic tools to address economic problems; they respond to private-good problems with private-good solutions. This finding is contrary to the assertions of the diversionary literature, which suggest that leaders facing domestic economic trouble will seek to change the subject by using military force. These models, however, explicitly allow leaders to choose between military force and a specific alternative policy (trade action) rather than specifying a choice between military action and no action. The models allow us to distinguish exactly how leaders might substitute one policy for another, and they produce results supportive of the substitution hypothesis. In fact, in model 1, a 0.2% increase in the monthly unemployment rate decreases the likelihood the United States will engage in military action

by about 6%.[19] In other words, given a choice between military and trade action, an American president is 6% more likely to pursue trade action when monthly unemployment grows by 0.2%.[20]

The probit specification explicitly models the choice between two specific types of policy. It assumes that one of the policy alternatives is selected, ignoring cases in which the United States may have taken other action or no action at all. As note 12 indicates, modeling the choice between MID and GATT action constitutes selection on the dependent variable, although modeling that selection process suggests it has no real effect on the results presented in Table 1. Modeling the choice between MID and GATT action is not altogether different from traditional models of foreign policy action that distinguish between a specific action such as a militarized dispute (1) and all other possible actions (0). Selection on the dependent variable effectively omits categories of the theoretic dependent variable; modeling military action versus all other possible action (as the traditional approach does) clouds the mutually exclusive character of the dependent variable because foreign policy action exists in the 0 category and in the 1 category. Both misrepresent the theoretic dependent variable to some extent, although modeling the choice between two specific alternatives has two advantages. First, the effects of selection can be empirically estimated; again, there appears to be no effect.[21] Second, examining these two options to the exclusion of all others brings into sharp relief the effects of executive constraints and economic concerns on policy alternatives that logically should be employed in response to different types of stimuli. Moreover, comparing the predicted effects between this model and the multinomial model will prove instructive below.

Figure 1 illustrates the differential effect of unemployment on foreign policy choice depending on support in the Congress. As Figure 1 demonstrates, when support in the Congress is high, unemployment decreases the likelihood of military conflict but not substantially at all.

In fact, even at exceptionally strong growth in unemployment, a president experiencing strong congressional support is still more than 80% more likely to use force than employ trade aggression. On the other hand, when support for the president is weak, trade action is more likely and becomes more likely at a faster rate as unemployment increases. The power of institutional congruence to enable a president to employ military might is notable, but less so than the dramatic effect incongruence has as it restrains military force and encourages economic action in response to a growing economic problem.

19. The marginal effect here is the effect of a one standard deviation increase in monthly unemployment (0.2%) on the likelihood of a MID.

20. The marginal effect of unemployment in model 2 is very similar: a one standard deviation increase in unemployment reduces the likelihood of an MID by nearly 6%.

21. That ρ is not statistically significant suggests that the decision to employ foreign policy in response to domestic trouble is independent of whichever of these two foreign policy options a leader actually decides to implement. This is not surprising if leaders actually do choose from a broad range of policy options. Research that examines the use of force versus other/no action implicitly assumes that if leaders use foreign policy, they use force. If this is true, then the decision to use foreign policy and the decision to use force are strongly (if not perfectly) correlated. However, if leaders select from a broader range of policies, then the decision to take foreign policy action is not synonymous with the use of force. Rather, the correlation between taking foreign policy action and selecting policy A over policy B is not likely to be high.
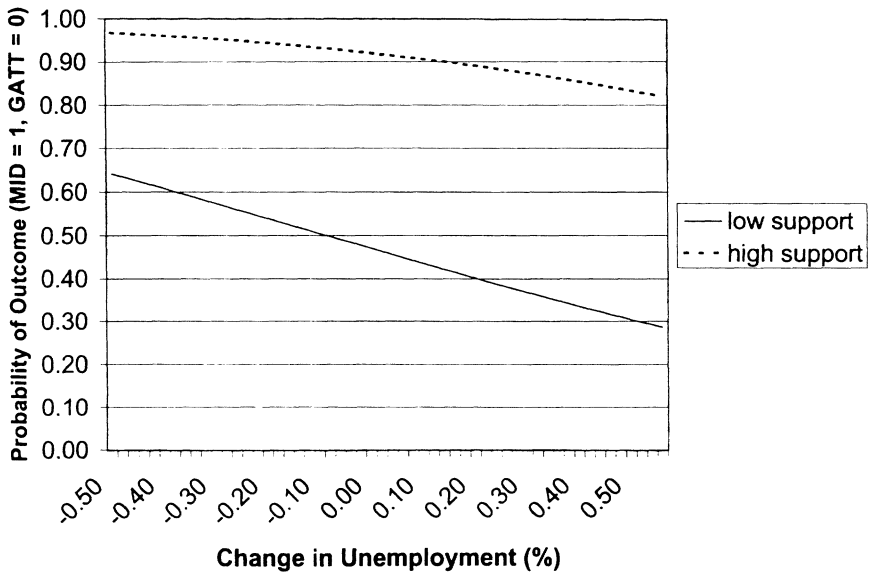
Figure 1: **Effects of Congressional Support and Unemployment on Foreign Policy Choice**

NOTE: GATT = General Agreement on Tariffs and Trade, MID = Militarized Interstate Dispute.

These results are wholly consistent with the hypothesis that executive action is either enabled or constrained by contemporary institutional arrangements, especially that institutional congruence makes difficult policies such as the use of the military more readily available to the president. Furthermore, they support the hypothesis that American presidents will seek to implement policies that are appropriate to the problem at hand. These findings cast doubt on the notion that American leaders respond somewhat blindly to domestic economic trouble by pursuing diversionary or scapegoating military strategies. Although leaders may be pursuing diversionary strategies, they are doing so in an arena entirely removed from the military alternative. This suggests that leaders are substituting policy options depending on the conditions to which they must respond most immediately. Furthermore, it seems likely that presidents not only are responding to private-good-issues with private-good-solutions but that they are choosing policies that are significantly less risky and less costly than the use of military force.

The analyses reported in Table 1, however, are limited to the choice between trade and military action, when it seems clear that other alternatives are available to leaders. At the very least, leaders can choose to implement neither of these two alternatives or to implement both. The addition of these possible choices to a model potentially expands the force of the argument that leaders can select policies from a range of possible options. Furthermore, it may be more realistic to assess the hypotheses as they determine a broader range of policy options than simply the choice between military and trade action. As a result, I present multinomial logit models that permit leaders to

TABLE 2
Multinomial Logit Models of U.S. Foreign Policy Options

Variable	$\hat{\beta}$	SE
Characteristics of Prob[$Y = 1$]: MID vs. no action		
Presidential support	0.012	0.009
Δ unemployment	–0.789*	0.577
Election year	0.147	0.280
Constant	–1.72**	0.821
Characteristics of Prob[$Y = 2$]: GATT vs. no action		
Presidential support	–0.044***	0.012
Δ unemployment	0.475	0.708
Election year	0.217	0.335
Constant	1.32*	0.821
Characteristics of Prob[$Y = 3$]: both vs. no action		
Presidential support	–0.032**	0.017
Δ unemployment	–0.283	1.07
Election year	–0.609	0.586
Constant	–0.133	1.196
Likelihood Ratio Tests	$-2LL{\sim}\chi^2$	
vs. null model	301.1***	
vs. excluding presidential support	56.36***	
vs. excluding Δ unemployment	117.79***	

NOTE: $N = 431$. Dependent variable indicates no conflict (0), the presence of a militarized dispute (1), a trade dispute (2), or both military and trade conflict simultaneously (3). GATT = General Agreement on Tariffs and Trade, MID = Militarized Industrial Dispute; –2LL evaluates the full model in comparison to the null model.
*$p \le .10$. **$p \le .05$. ***$p \le .01$, one-tailed tests.

choose from among the four options identified above: no action, military action, trade action, and military and trade action at the same time.

Table 2 reports the multinomial logit results. However, a comment on statistical inference in these models is necessary prior to a discussion of the results. Because these models estimate the effects of independent variables on each category compared to the base category (in this case, no conflict), the models produce $j - 1$ (in this case, 3) parameter estimates for each independent variable. It is not entirely clear how to treat variables that produce some significant parameters and some insignificant parameters. It appears the most common solution is to conduct block log-likelihood tests on each variable to determine if each variable's inclusion significantly improves the model (see Greene 1997). I follow this convention and report block test results in Table 2.[22]

Discussion of multinomial logit coefficients is complicated not only by the inference problem but by the nonlinearity in the coefficients across categories of the dependent variable. It is possible, for instance, for a positive coefficient ultimately to

22. Block log-likelihood tests are $-2(LL_{partial} - LL_{full})$, which is distributed χ^2, where *partial* represents the model specified without the variable in question and *full* represents the fully specified model.

exert a negative effect on the likelihood of an outcome relative to its effect on other outcomes. As a result, even the computation of marginal effects or predicted probabilities at particular levels may not be sufficient for interpretation because the changes are likely to be nonlinear and nonconstant.[23] The results reported in Table 2 indicate that congruence and unemployment each contribute significantly to the model, effectively reducing the unexplained variance in the dependent variable. The block log-likelihood tests all indicate that the inclusion of a private-good-like issue and an institutional constraint improve the fit of the model. However, the exact magnitudes and directions of these effects are not yet clear.

What the coefficients in Table 2 do suggest is that institutional congruence has different effects on the likelihood of military action and the likelihood of trade aggression. That the coefficients for congruence and for unemployment differ in direction and magnitude across the three outcomes indicates that these stimuli result in different behaviors under different conditions. Insofar as unemployment is positively associated with GATT action but negatively associated with military action, it appears that U.S. presidents adopt different types of policy responses under different economic conditions. Moreover, the findings are generally commensurate with the notion that American leaders have a variety of policy alternatives from which to choose and that they choose to implement policies that (either effectively or symbolically) address the problems at hand.

Perhaps the most interesting item to note in Table 2 is that the effects of support for the president (congruence) and unemployment (private-goods-like problems) are nonmonotonic. By introducing the empirical possibility of policy substitution, it becomes apparent that domestic political variables may have different effects on different manifestations of the dependent variable. If the dependent concept, Y, is foreign policy or foreign policy directed at addressing domestic problems, we can see that the effects of independent variables on y_1 and on y_2 are substantially different. Examination of y_1 to the exclusion of y_2 may lead us to discover only a portion of the complex relationship between x and Y.

Furthermore, examination of y_1 alone does not afford us the chance to consider the complementarity of y_1 and y_2, the possibility that the two policy options are used as substitutes or are used simultaneously. Including both military and trade action as a policy option allows for the possibility that American leaders find both tools useful at the same time. Although growing unemployment may prod an American president to pursue private-goods-like solutions, support in the Congress may enable presidents to employ military alternatives as well. It is entirely likely that a friendly Congress enables strategic logrolling in such a way that both the president and members of Congress can distribute pork to key constituents in a mutually beneficial arrangement.[24]

23. This possibility is enhanced in the models presented here by the fact that both variables of interest appear to have nonmonotonic effects on the outcomes (because the signs on the coefficients change directions).

24. Again, Bartels (1991) provided some evidence that members of Congress vote for spending projects with the actual benefits to their own constituents very much in mind. Additionally, members of Congress somewhat notoriously are known for logrolling behavior so that they can distribute directed benefits to constituents (e.g., Lohmann and O'Halloran 1994). Finally, the presidency is a well-known platform from which to launch major efforts at directed distribution to achieve political goals (like the passage of the North
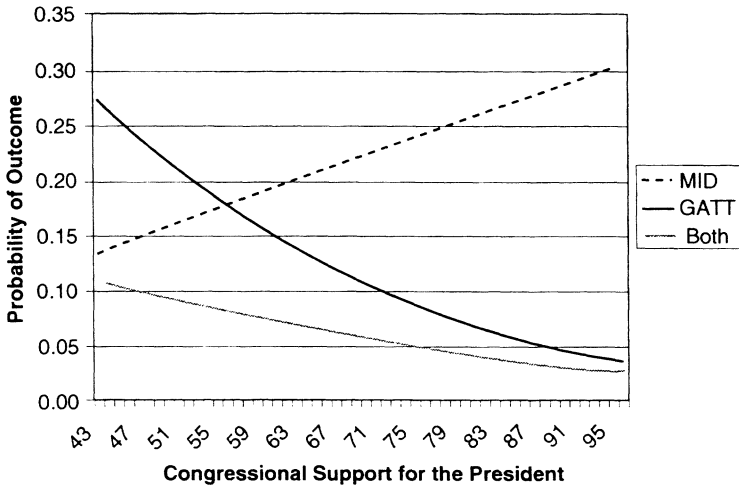
Figure 2:   Predicted Effects of Congruence on Foreign Policy Choice
NOTE: GATT = General Agreement on Tariffs and Trade, MID = Militarized Interstate Dispute.

The combination of support in Congress and growing unemployment may make such domestic policy options the best responses.

Probably the most intuitive manner in which to interpret these coefficients is by plotting their predicted effects across the entire range of their values. Plotting the range of predicted effects (rather than the effects at particular points) allows us to observe the nonlinearity in the effects. Figures 2 and 3 do exactly this, graphing the predicted effects of presidential support (Figure 2) and unemployment (Figure 3) on the likelihood of the three outcomes. These figures report the predicted probabilities of each outcome at all actual values of the independent variable of interest, holding all others at their means or modes. Probabilities are computed by

$$P(Y = j) = \frac{e^{\beta_1' X_1}}{1 + e^{\beta_1' X_1} + e^{\beta_2' X_2} + e^{\beta_3' X_3}},$$
(1)

where the reference category (no conflict) is held constant at 0 while each category j is compared in the numerator to all categories in the denominator.

These figures reveal the extent to which policy options are substituted for each other depending on the institutional environment and economic conditions. In Figure 2, it is strikingly apparent that congressional support tends simultaneously to increase the likelihood of military conflict while decreasing the likelihood of trade action. Notice the substantially different slopes in these curves and that they cross each

American Free Trade Agreement, for example; Box-Steffensmeier, Arnold, and Zorn 1997). Support for the president in the Congress, general congruence between the two institutions, facilitates both congressional and presidential distribution to key constituents in such a way that both are electorally protected.

Figure 3:   Predicted Effects of Unemployment on Foreign Policy Choice
NOTE: GATT = General Agreement on Tariffs and Trade, MID = Militarized Interstate Dispute.

other; additionally, contrast these effects and the substitution effect they suggest to the predictions in Figure 1. Not only are the effects on these foreign policy actions quite different, but the fact that they cross suggests that, after some point of congressional support (about 58%), American presidents trade off between the two. At levels less than 58%, presidents are more likely to take trade action, whereas at 58% or higher, they are more inclined toward military engagement. This directly supports the contention that presidents engage in foreign policy substitution depending on institutional congruence. Given Morgan and Palmer's (2000, 12) claim that "the few studies that have been directed specifically at testing substitutability hypotheses have found virtually no evidence that substitution occurs," these findings are even more striking. American presidents appear rather clearly to substitute trade action for military action when they are hobbled by institutional incongruence. Moreover, the tabular results from the multinomial logit really provide no evidence of substitution, indicating only significant effects of independent variables. The only way to understand the complicated effects of those variables on the different categories of the dependent variable is to plot the predicted probabilities as Figure 2 does. Doing so reveals the relationship not only between support for the president and each outcome but also the relationships between outcomes. Exposing the trade-off between trade and military aggression allows the conclusion that leaders engage in substitution, a conclusion not apparent in the tabular results.

Figure 3 is equally revealing with regard to the effect of growing unemployment on the chances of an American president choosing private- or public-good-like solutions. Growth in unemployment produces a precipitous decline in the probability of military action while simultaneously increasing the chances that the United States will take unilateral trade action under the GATT regime. Just as a clear "point of substitution"

appears in Figure 2 depending on institutional congruence, so does a substitution point appear in Figure 3. When unemployment increases by more than approximately 0.6% per month, the likelihood of trade aggression exceeds the chances of military action. Under challenging economic conditions, American leaders increasingly find military force less useful, whereas they find economic action increasingly appropriate and useful. In fact, this confirms the logic of policy substitution and suggests the illogic of supposing that unemployment should drive leaders to resort to arms. Presumably, leaders facing domestic economic challenges will seek ways to address those problems sufficiently to ameliorate whatever political costs or threats economic trouble creates. Although the intuition of diversionary war is appealing, it does not comport well with opportunities leaders have to employ other types of policies that are potentially less costly and more likely to address the problem at hand. Moreover, insofar as American presidents often face institutional barriers, particularly in the form of an obstructionist Congress, the freedom with which a president can capriciously employ military force is limited at best. The results summarized in Figures 2 and 3 illustrate how American presidents increasingly resort to trade action, a private-good-like policy in response to growing economic distress or declining institutional support. The consistency of these effects provides support for the general notion that leaders will seek private-good-like solutions to private-good-like problems; they will use the right tools for the job.

CONCLUSIONS

Concluding their remarks on foreign policy substitutability, Most and Starr (1989, 118) argued convincingly that "how [scholars] approach their problems—the manner in which they conceptualize them and the methods they utilize in their attempts to solve them—ultimately impinge on their results." Insofar as scholars conceptualize international conflict, for example, as a distinct foreign policy outcome or process, theory and analysis will treat conflict as distinct and will not consider the extent to which conflict may be one of several interchangeable, substitutable, or complementary aspects of foreign policy. The consequences of doing so are suggested rather starkly by Most and Starr and are indicated in the first section of this article.

The analyses summarized in all the tables and figures above provide consistent evidence that domestic political factors evoke different foreign policy responses at different times. Foreign policies are chosen based in part on the criterion of which policy will most effectively address the problem at hand and with regard to institutional congruence. Most important, modeling foreign policy choice in a manner that accounts for substitution among the manifestations of Y allows us to observe the nonmonotonic effects of domestic factors on foreign policy choice. This is not simply a matter of a modeling decision but more fundamentally a question of how national leaders make policy decisions. Foreign policy is caught at the nexus of domestic political and economic concerns and the pursuit of the national interest. Certainly at some juncture, leaders find themselves needing to serve domestic political interests and finding foreign policy solutions to those problems. However, the equation of domestic or electoral threat with desperation and the resort to arms entirely discounts the range of pol-

icy tools, both domestic and foreign, available to most leaders and certainly to American presidents. Furthermore, assertions that leaders resort to arms for domestic reasons lose sight of the often strong institutional constraints by which executives are bound. Recognizing that international conflict is a relatively poor tool with which to resolve domestic problems, that institutional constraints are frequently significant, and that other policy alternatives are available for implementation must lead to two conclusions. First, policy substitution is exceptionally likely and, as domestic circumstances change over time, using different policies to respond to different stimuli is ever more likely. Second, the linkage between domestic turmoil and military conflict is not theoretically satisfying, especially in light of the substitution argument. Although some empirical support for such a link exists in the literature, perhaps that support would diminish in models that accounted for foreign policy substitution.

The substitution argument put forward by Most and Starr (1989) and elaborated and tested here is most compelling in its implication that the examination of one aspect of foreign policy to the exclusion of others may lead us astray. In particular, if we find a relationship between x and y_1 without accounting for the likelihood that y_2 might sometimes be substituted for y_1, our finding may be an artifact of the complementarity between y_1 and y_2. Furthermore, because it is probably the ideal of research to understand Y and not just its one manifestation, y_1, it is of paramount importance to consider the dependent relationships among the manifestations of Y.

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